

**Ballast Water Management Technical Advisory Group (TAG)
Meeting for “Setting the Fee”
January 12, 2000
1000 - 1230**

Participants:

Gary Gregory, Maurya Falkner, John Kloman, Mark Meier (CSLC)
Meredith Endsley, Capt. Lynn Korwatch (Matson Shipping)
Jay Winter (Steamship Association of Southern California)
Kenneth Levin (Pacific Merchant Shipping Association)
Capt. Robin Lindsay (General Steamship Corp.)
Brian Dorsch, Meri Ng (Chevron Shipping Company LLC)
Robert Kliet (Evergreen Shipping) by phone

Princess Cruises Lines was also asked to participate, but did not respond to the requests made by Jay Winter.

Synopsis:

Gary Gregory discussed the charter of this TAG for the new members, which is to determine a fee schedule (PRC Section 71215(b)) for qualifying voyages, as defined by PRC Section 71200(j).

Specifically, the TAG charter was to evaluate a flat rate scenario applied to all qualified voyages equally or an alternative(s) to a flat rate. Regardless of which type of fee schedule was adopted by the TAG, the fee would be set at a level to provide adequate funding for the program.

Gary discussed the overall cost of the program, as well as the cost of the program by year and by agency. The overall cost of the program, as SLC understands it, is approximately \$6.52 million for four (4) years, distributed to four (4) agencies, with the average cost of the program per year at \$1.67 million.

Lynn Korwatch and Meredith Endsley (Matson) proposed three alternatives to the current fee structure. First, they proposed a “tiered” fee schedule that would reduce the fee for those vessels engaged in trade with Alaska and Hawaii. Their second alternative considered “good players”, which would result in a reduced fee for a subset of vessel voyages. Matson’s final alternative proposed a 10 voyage maximum “cap” on the assessment of the fee.

CSLC staff developed a simple computer model in order to calculate revenue generated using any proposed alternative fee structure. The TAG rapidly realized that it did not have estimates of the potential voyages impacted by the alternatives proposed and therefore could not adequately assess the overall impact of implementing any of the alternatives.

Ballast Water Management Technical Advisory Group (TAG)
Meeting for “Setting the Fee”
Page 2

The TAG then looked at the total cost of the program (**\$6.653 million***), the estimated number of qualifying voyages (assumed at 6000 annually), and a mutually agreed upon recovery rate (75%). Based on this calculation, the TAG determined that if the “Fee” was set at \$400/Qualifying voyage, adequate revenue would be generated to cover the cost of the program.

****Actual dollar amount used during the TAG meeting on 01/12/00 was \$6.52 million.***

The TAG recommended a \$400/qualifying voyage fee. The TAG requested that they reconvene in 6 months (July 2000) to re-evaluate the fee schedule and determine if the \$400 fee is adequate and/or if enough information was available to develop an alternative fee schedule. A alternative schedule might incorporate, if feasible, a tiered or capped fee schedule and would be based in part on a better estimate of the number of qualifying voyages and the actual fee recovery rate.

In Conclusion:

The TAG recommended that CSLC staff prepare and submit to the Commission, an emergency regulation to set the fee \$400/voyage.

It was also recommended that CSLC staff draft and submit the regular rulemaking package, incorporating the new lowered fee amount as soon as possible. The TAG requested that CSLC staff include a provision in the regular rulemaking package that called for the reconvening of the TAG on or after July, 2000 to reevaluate the fee and the fund condition.

Finally, due to some confusion over the interpretation and implementation of the law, the TAG recommended that CSLC meet with industry to clarify the issues. The focus of the TAG would be on the interpretation and implementation of the law. Gary Gregory has committed to reconvening the TAG for this purpose in one month (mid to late February) and will send out a letter to memorialize this decision.